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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

24 December 1984

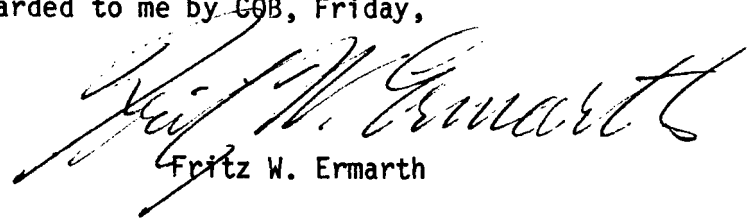
MEMORANDUM FOR: See Distribution

FROM: Fritz W. Ermarth
National Intelligence Officer for USSR

SUBJECT: Warning Assessment -- USSR

1. Attached is the assessment prepared following the monthly Community warning meeting held on 18 December 1984. Comments would be most welcome.

2. The next warning meeting will be held on Tuesday, 22 January at 1400 hours in Room 7-E-62, CIA Headquarters. I solicit suggestions regarding any topics or contingencies you feel we may be overlooking and request that such recommendations be forwarded to me by COB, Friday, 18 January.


Fritz W. Ermarth

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The Director of Central Intelligence

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National Intelligence Council

NIC #07114-84
24 December 1984

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: John Bird
National Intelligence Officer for Warning

FROM: Fritz W. Ermarth
National Intelligence Officer for USSR

SUBJECT: Monthly Forecast and Warning Report -- USSR

1. Soviet Defense Spending:

A. Discussion

CIA and DIA analysts agree that Soviet defense spending appears to have increased in 1983.

CIA, noting an upturn in the acquisition most notably of ships, submarines, and SAMs, currently estimates Soviet procurement growth at 2-3 percent (in rubles), a conclusion that also is supported by increased Soviet industrial performance and defense floorspace. They caution, however, that they have consistently revised their estimates downward as later data have become available, and that Soviet leadership comments on defense spending and expressions of pessimism about their economy indicate that significant defense spending growth is unlikely.

If CIA retains its current estimate and observes indicators of further growth in 1984, it probably would conclude that procurement growth had resumed since the flattening in defense spending that they believe began in the late 1970s. CIA believes that a 4-5 percent procurement growth rate would mean major increases in a host of systems, particularly FULCRUMS, FOXHOUNDS, FLANKERS, SSNS, and new ICBMS.

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DIA believes the Soviets are procuring different quantities of weapons than CIA observes, and concludes that Soviet procurement spending in 1983 increased by 5-10 percent in dollars. DIA anticipates an overall Soviet defense spending growth rate of 3 percent in the next several years (measured in dollars).

NIO/USSR believes the Soviets currently are pulling and hauling over future defense spending, and that Ogarkov's removal as Chief of the General Staff was importantly related to this. He believes that Ustinov's death, otherwise continuing leadership transition, and next year's finalization of the 1986-90 five year plan will make for much Kremlin debate on defense spending in 1985. A/NIO/USSR believes Moscow's recent announcement of a 12 percent defense spending hike -- ostensibly said to match US defense spending hikes -- is a good indicator that Soviet defense spending is up or will be rising shortly and is more than a purely political warning.

CIA/SOVA reports further that our current methodologies do not put us in a good position to detect significant new Soviet resource allocations to space related weapons; methodologies for this are being developed.

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2. Soviet Arms Control Initiatives:

A. Discussion

Analysts agree that the Soviets have multiple objectives in the forthcoming Shultz-Gromyko meeting in Geneva and anticipated arms talks thereafter. Moscow's principal objective is to arouse enough public anticipation of an agreement to constrain the Administration's SDI program and ASAT testing. They believe Congress and the Administration are sensitive to political pressure surrounding a climate of negotiation in their support for and pursuit of these programs. Other important Soviet objectives are to better exploit the Peace Movement in Western Europe -- Soviet goals have been undermined since they walked out of the Geneva talks -- and to ease East European anxieties since talks were broken off and Moscow made its INF counterdeployments in East Europe.

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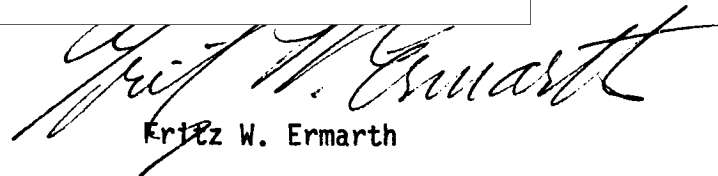
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The Soviets will likely stress the interconnectedness of space, offensive systems, and INF and insist that US concessions on space are necessary before ICBM and INF issues can be tackled. In the next several months analysts believe the Soviets will insist that they won't trade metal (ICBMS) for paper (space), continue to call for unilateral US concessions, and will want to avoid serious negotiations able to satisfy US ICBM objectives. ACIS notes that even if the Soviets make an offer on ICBMS, it will be laced with major contingencies adverse to US goals.

State sees little prospect that the Soviets would seek to trade ICBMS for US concessions on SDI as long as the US has no significant hardware to show for its research effort. DIA analysts comment that the Soviets are painfully aware of the US technology lead, probably are not betting they can influence Congressional appropriations for SDI, and cannot afford to wait upon a major US SDI weapons procurement.

NIO/USSR believes the Soviets will realize shortly, if they have not already, that they will not get something for nothing, and that they will be taking an enormous risk if they do not reallocate resources to match a major US SDI effort. The Soviets cannot risk working only on ways to penetrate a future US SDI system.

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